

## Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 EB-07 /034 W  
-----071852Z 099398 /43

R 062232Z JUN 77  
FM AMEMBASSY CARACAS  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 7911  
AMEMBASSY OTTAWA  
AMEMBASSY MADRID

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PASS TO OED/MEPD AND OIM

E.O. 11652: N/A  
TAGS: BENC, VE  
SUBJECT: MAJOR PROJECT: RAILROAD

REF: STATE 122195

1. MORRISON-KNUDSEN AND PULLMAN REPRESENTATIVES MET WITH MINISTERS LAURIA AND VIVAS LAST WEEK AFTER STRATEGY DISCUSSION WITH AMBASSADOR. THEY ALSO MET WITH LYON LUCHESSI OF RAILROAD INSTITUTE. BOTH BITTENBINDER (PULLMAN) AND MOE (MKI) REPORTED CORDIAL RECEPTION AND THAT TRIP WORTHWHILE. US CONSORTIUM WAS HAPPY TO LEARN THAT THEY NOW RANK THIRD AFTER CANADIAN AND SPANISH CONSORTIA. THEY OFFERED TO BE HELPFUL AND INDICATED INTEREST IN INITIATING CONVERSATIONS WITH THE SPANISH IF THE GOVERNMENT OF VENEZUELA SO REQUESTS. NEITHER MINISTER ROSE TO THIS BAIT, APPARENTLY, BUT RATHER TOLD THEM TO SIT TIGHT AND WAIT OUT THE RESULTS OF THE VENEZUELAN/CANADIAN/SPANISH NEOGTIATION.

2. WILL VERIFY DETAILS LATER WITH CANADIAN COMMERCIAL COUNSELOR,  
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BUT NEWSPAPER REPORTS OVER THE WEEK-END INDICATED THAT CANADIAN MINISTER OF INDUSTRIES JEAN CHRETIEN AND SPANISH MINISTER OF INDUSTRIES PEREZ DE BRICIO MET SEPARATELY WITH PRESIDENT PEREZ AND JOINTLY WITH VIVAS CASANOVA ON JUNE 3. MR. CHRETIEN DEPARTED THE NEXT DAY TELLING THE PRESS THAT HIS MEETINGS WITH SPANISH AND VENEZUELAN OFFICERS WERE EXPLORATORY, THAT

HE WAS OPTIMISTIC THAT A THREE-NATION CONSORTIUM COULD BE SET UP, BUT THAT AN OVERSALL PROJECT MANAGER WOULD HAVE TO BE SELECTED. HE INDICATED THAT EACH OF THE THREE GROUPS WOULD HAVE TO HAVE A CLEAR UNDERSTANDING OF THE ASSIGNMENT OF ROLES, AFTER WHICH THE DIVISION OF WORK WOULD BE EASY. ONE LOCAL PRESS REPORT DATED IN MADRID INDICATED THAT MINISTER PEREZ DE BRICIO DEPARTED MADRID WITH A THIRTY-MAN CONTINGENT AND WAS SEEN OFF AT BARAJAS BY THE VENEZUELAN AMBASSADOR. ALSO OVER THE WEEK-END, THE PRESS REPORTED THE VISIT TO VENEZUELA BY THE CANADIAN MINISTER OF PUBLIC WORKS.

3. PROBABLE FUTURE OUTCOME UNCLEAR ALTHOUGH IN OUR OPINION IT NOW SEEMS CERTAIN THAT SPANISH WILL PARTICIPATE IN PROJECT. (WE SO ADVISED MKI/PULLMAN). MINISTER OF TRANSPORT AND COMMUNICATIONS VIVAS ON SEVERAL OCCASIONS HAS INDICATED THAT THE BID WAS DECLARED VACATED BECAUSE ALL OF THE OFFER PRICES WERE HIGHER THAN THOSE ESTIMATED IN PREVIOUS STUDIES AND THAT NONE OF THE OFFERS SATISFIED THE INTERESTS OF VENEZUELA. HE FURTHER INDICATED THAT THE PROJECT MIGHT BE SCALED DOWN, PERHAPS TO DOLLARS SEVEN HUNDRED FIFTY MILLION. DURING THE AMBASSADOR'S DISCUSSION WITH HIM LAST WEEK REGARDING VARIOUS MAJOR PROJECTS HE SAID THAT THE WORLD BANK HAD RECOMMENDED THAT THE GOV CALL FOR NEW BIDS ON A REDUCED AND SIMPLIFIED PROJECT. THE LOCAL ENTREPRENEURS INVOLVED IN THE VENEZUELAN PORTION OF WHAT NOW LOOKS LIKE A TRI-PARTITE CONSORTIUM HAVE NOT BEEN IDENTIFIED, BUT LOCAL RUMORS MENTION SEVERAL LIMITED OFFICIAL USE

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OF THE "TWELVE APOSTLES" I.E. PEREZ BRICENO, TINOCO, DELFINO, PLUS EX: MINISTER GUMERSINDO RODRIGUEZ.

4. EMBASSY APPRECIATES SPLENDID MEPD COOPERATION AND PROMPT FOLLOW THROUGH BY MORRISON KNUDSEN/PULLMAN. EMBASSY BELIEVES THEY ARE FOLLOWING OPTIMUM STRATEGY AT THIS TIME BY HANGING IN. EMBASSY FOLLOWING DEVELOPMENTS AND WILL REPORT.

5. ACTION REQUEST: ANY ADDITIONAL INPUTS FROM OTTAWA OR MADRID WOULD BE WELCOMED, INCLUDING IDENTIFICATION OF SPANISH COMPANIES PARTICIPATING IN NEGOTIATION. ARE WE CORRECT IN ASSUMING INSTITUTO NACIONAL DE INDUSTRIA IS COORDINATING ACTION?  
VAKY

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NNN

## Message Attributes

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Margaret P. Grafeld  
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